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# REPORT TO THE CONGRESS

## Unrecovered Costs In Providing Address Correction Service To Postal Patrons B-114874

Post Office Department

**BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES**

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MAY 22, 1970



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-114874

To the President of the Senate and the  
Speaker of the House of Representatives

The General Accounting Office estimates that, for fiscal year 1969, the Post Office Department did not recover costs of at least \$2.8 million for providing address correction service to postal patrons pursuant to law. Each month's delay in establishing an appropriate fee for this service results in revenue foregone of at least \$230,000. We proposed to the Department that it conduct a cost study to ascertain the fee that should be charged to recover the costs of this service. The Postmaster General concurred in our proposal and stated that the Department had undertaken a comprehensive review of the address correction service and that the results of this review should be available to permit the formulation and publication of new fees before the end of fiscal year 1970.

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the act of September 2, 1960 (39 U.S.C. 2206).

This matter is being brought to the attention of the Congress because the Department is taking action to establish an appropriate fee for the service which should help reduce the rising postal deficit. Additional details are included in the summary which follows.

Copies of this report are being sent to the Director, Bureau of the Budget, and to the Postmaster General.

A handwritten signature in cursive script, reading "James B. Peacock".

Comptroller General  
of the United States

SUMMARY OF GAO REVIEW OF

POST OFFICE

ADDRESS CORRECTION SERVICE

Section 122 of Public Law 90-206, approved December 16, 1967, amended section 4106 of Title 39, United States Code, to authorize the Post Office Department to provide address correction service upon request by users of all classes of mail. The service consists of sending a notice of address change to the sender of any piece of mail undeliverable as addressed if the new address is known by the post offices. We believe that the Department's cost to provide this service exceeds the revenues derived therefrom by at least 5 cents a notice.

During fiscal year 1969, the Department collected about \$5.6 million for furnishing about 56 million address correction notices. Using this volume and an undercharge of 5 cents a notice, we estimated that the unrecovered costs totaled about \$2.8 million during fiscal year 1969.

Prior to the enactment of Public Law 90-206, the address correction service was not available to first-class-mail users. The charges for the address correction service for the other classes of mail were: 10 cents for second-class mail, 8 cents for third-class mail, and a varying charge of not less than 8 cents for fourth-class mail.

Section 122 further provides that the Postmaster General prescribe a uniform charge to be collected for the address correction service. Also 39 United States Code 2302 provides that postal rates and fees be adjusted from time to time as required to produce an amount of revenue approximately equal to the total cost of operating the postal establishment, less the amount determined to be attributable to the performance of specified public services. The address correction service is not identified as one of the specified public services.

Effective January 7, 1968, the Postmaster General established a uniform charge of 15 cents for this service. On January 18, 1968, the Postmaster General reduced the charge

from 15 cents to 10 cents, citing the financial impact of the 15-cent charge upon users of second- and third-class mail who were previously paying 10 and 8 cents, respectively, as the basis for the reduction in the charge. The Postmaster General also said that he was deeply conscious of the fact that business firms were experiencing the financial impact of the then-recent increase in basic second- and third-class postage rates.

Also, on January 18, 1968, the Postmaster General directed the Bureau of Finance and Administration to conduct a cost study of the address correction service. According to the Postmaster General, the results of this study would serve as a basis for determining whether the uniform 10-cent charge would be adjusted to fully recover the cost of providing the service.

An internal audit report issued in May 1969 by the Internal Audit Division, Bureau of the Chief Postal Inspector, recommended that the fee for preparing and processing form 3579--notices of address correction used primarily for second-class mail--be increased to fully recover the Department's cost. The report showed that the cost for a mail carrier to prepare a form 3579 was at least 15 cents. An increase of 5 cents in the fee would have yielded \$3.2 million of additional revenue to the Department for furnishing 64 million address correction notices. The report showed also that, if the fee were increased to 20 cents, an estimated \$6 million to \$7 million of additional revenue would be received annually.

In commenting on the internal audit report, officers of the Bureau of Finance and Administration stated on September 9, 1969, that they would consider initiating a study of the cost of preparing and processing a form 3579 and that, if warranted, they would recommend that the fee be changed. In January 1970 Department representatives informed us that a cost study had not been undertaken as a result of either the Postmaster General's January 1968 directive or the Internal Audit Division's May 1969 recommendation, because a cost study was to be included as a part of a comprehensive study of the address correction service. Since January 1968, the uniform 10-cent fee has remained unchanged.

On February 24, 1960, the Department's Cost Ascertainment Division released a report which estimated the cost of determining postage and fees due the Department and of collecting postage-due revenues and sending notifications, where required, on forwarded and/or returned mail. The report, based on a field study made in August 1954, was updated to show 1960 cost levels. The report showed that the cost of preparing and processing a form 3579 for undeliverable second-class mail was about 12.3 cents and that the cost of preparing and processing a form 3547 for undeliverable third- and fourth-class mail was about 12 and 14.7 cents, respectively. Department representatives recently stated that they did not have available current information concerning the total cost of preparing and processing forms 3547 and 3579.

The Department prescribes a 2-minute time standard for a carrier to prepare each form 3579. Also, a Bureau of Finance and Administration memorandum dated November 14, 1969, states that the combined average productive pay rate for carriers and vehicle service drivers is \$4.72 an hour, or 7.866 cents a minute. Based on this time standard and pay rate, the cost to the Department to prepare each form 3579 is at least 15.7 cents. Also on this basis, we estimate that it costs more than 15.7 cents to prepare a form 3547 since this form requires more information and takes more time to prepare than the form 3579.

For form 3547, the postal employee must write both the old and the new addresses of the addressee on the back of the form and write the address of the sender on the front of each form. For form 3579, however, only the new address of the addressee is written on the form and the form is glued to the address label torn from the magazine or other second-class mail publication. Normally, a number of forms are returned to the sender in one envelope.

We proposed to the Department, by letter dated February 25, 1970, that it conduct a cost study to ascertain the fee that should be charged to recover the costs of the address correction service. The Postmaster General by letter of March 30, 1970, acknowledged that the Department probably was incurring a loss in furnishing the address correction service and stated that, on January 29, 1970, the Office of

Cost Analysis, Bureau of Finance and Administration, had been instructed to conduct a cost study. (See appendix.) The Postmaster General also commented that:

"\*\*\* the Department has been reluctant to impose on the public the full cost of an address correction system that may be less efficient, and therefore more costly, than it should be. For that reason, our Bureau of Planning and Marketing has undertaken a comprehensive review of the address correction service. We believe it undesirable to change fees temporarily, based on procedures which may be revised in the near future. We expect to reach a decision soon on changes in this service, and we believe that sound cost data should be available soon enough to permit formulation and publication of new fees prior to the end of this fiscal year."

**APPENDIX**





The Postmaster General  
Washington, D.C. 20260

March 30, 1970

Dear Mr. Neuwirth:

We have your letter of February 25, noting that the Post Office Department is not recovering the costs for providing address correction services from the users of this service. You propose that we conduct a cost study and raise our charges to cover costs.

We agree with the need for sound cost data and had already, on January 29, 1970, instructed our Office of Cost Analysis to conduct such a cost study.

It is probable that we are incurring a loss on various address correction services. However, the Department has been reluctant to impose on the public the full cost of an address correction system that may be less efficient, and therefore more costly, than it should be. For that reason, our Bureau of Planning and Marketing has undertaken a comprehensive review of the address correction service. We believe it undesirable to change fees temporarily, based on procedures which may be revised in the near future. We expect to reach a decision soon on changes in this service, and we believe that sound cost data should be available soon enough to permit formulation and publication of new fees prior to the end of this fiscal year.

[The deleted comments related to matters which are not discussed in this final report.]

Sincerely,

Winton M. Blount

Mr. Max A. Neuwirth  
Associate Director, Civil Division  
U. S. General Accounting Office  
Washington, D. C. 20548